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SECURITY INFORMATION

22 May 1952

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CURRENT INTELLIGENCE DIGEST

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SOVIET UNION

1. USSR informally suggests Finland join the Nordic
25X1C Council: [redacted] Soviet Ambassador Rodionov in Stockholm in late April expressed the view to the Finnish Minister there that Finland should join the Nordic Council. The Soviet Ambassador also made a similar statement to Swedish Prime Minister Erlander prior to the latter's recent trip to the United States.

25X1C [redacted] Finnish Premier Kekkonen will attempt to keep Finland out of the Council for the present. [redacted] 25X1A

Comment: If the report of Rodionov statement is correct, it would appear to be another Russian effort to weaken Scandinavian support of NATO.

Several months ago Denmark proposed the formation of a Nordic Council, to be composed of representatives from Norway, Sweden, Denmark, and Iceland. The Council would serve as an advisory committee dealing with problems common to its members and recommend legislation to each of the Parliaments. Denmark and Sweden are willing to participate and it appears that Iceland and Norway will join, despite some domestic opposition.

EASTERN EUROPE

2. Czech jets make identification passes at Belgian airliner: On 19 May three MIG-15's made identification passes to within about 700 feet of a Belgian airliner flying inside its corridor over Czechoslovakia. No attempt was made to interfere with the plane's line of flight. The United States Embassy in Prague warns that a corridor or

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border violation may result in more drastic action by Czech jet interceptors. (S Prague Unnumbered, 20 May 52)

Comment: This incident could be a Czech warning of potential unpleasantness if Belgium and the Netherlands fail to grant a Czech request for reciprocal flight rights. Czechoslovakia has been pressing both the Netherlands and Belgium for several months to grant it landing rights in order to re-establish its air routes to Western Europe which were cut off on 10 September.

3. Czechoslovakia pushes export measures to offset American sanctions: Czechoslovakia has launched a two-way attack to earn dollars by exports and thus overcome American economic sanctions, [REDACTED]

It has undertaken an "export offensive" to all countries which can pay in dollars, especially in Latin America, and it is probing for means to re-export Czech goods to the United States through third countries in Western Europe and Latin America. [REDACTED] as of March, no re-export deals had been put through from Mexico. [REDACTED]

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Comment: There have been a few indications that the Czechs are trying to re-enter the United States market through Mexico and by direct shipments of goods valued at less than one hundred dollars, for which consular invoices are not necessary.

Large quantities of Czech ethyl alcohol and Czech and Polish naphthalene are reportedly being offered for sale to the United States from West Germany. The sale of the ethyl alcohol alone reportedly would realize some three million dollars.

4. Hungary seeks North African trade: Hungarian participation in the Algiers fair is interpreted by the American Legation in Budapest as part of a drive to expand trade with underdeveloped areas. Hungary exhibited heavy machinery, electrical equipment, textiles and leather goods. (R USARMA Budapest L-2888, 16 May 52; R FBIS Budapest, 15 May 52)

Comment: Budapest's interest in developing trade with the Levant and North Africa has been pointed up by Hungarian participation in local trade fairs in the area. "Hectic" preparations for the Beirut spring exhibit were reported

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recently by a Budapest trade journal. Among the Hungarian industrial products to be shown at Beirut were machine tools, electrical machines and appliances, radios, railway trains and equipment, river and sea-going vessels, X-ray appliances, drugs and chemicals. Hungary's trade with Algeria has apparently been negligible in the past.

5. Yugoslav estimate of Satellite strength: The Yugoslav intelligence chief recently informed the US Army Attache in Belgrade that his government does not visualize any outbreak of hostilities with the neighboring Satellites in the predictable future. The general staff estimates that Rumania and Albania remain negligible in combat potential, whereas the Hungarian armed forces are continuing to expand, and now possess qualities which must be reckoned with.

In an earlier conversation with Ambassador Allen, Marshal Tito stated that Bulgaria was Yugoslavia's most dangerous Satellite neighbor. (S USARMA Belgrade 370, 20 May 52)

Comment: In the past, Yugoslav estimates have indicated considerable scorn for the military capabilities of the neighboring Satellites, except Bulgaria.

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FAR EAST

6. Japan seeking United States assistance in demarche to the USSR: The Japanese Government has made informal inquiries concerning the willingness of the United States to act as intermediary in delivering a note to the Soviet Government. The note would notify the USSR that Japan considers the Soviet Mission in Japan "null and void." (C Tokyo 190, 22 May 52)

Comment: The Swedish Foreign Office refused a similar request from the Japanese Government to act as intermediary.

7. Smuggling of critical materials from Japan indicated: The American Embassy in Tokyo has received reports that Japanese smuggling activities, formerly limited primarily to consumer goods, are now being expanded to include goods on the export control lists. The shipments presumably are made in collusion with customs officials, and it is reported that fairly large manufacturers and exporters are becoming increasingly interested in the illegal profits derived from these activities. (C Tokyo Desp 1453, 24 Apr 52)

Comment: According to CINCFE, smuggling of strategic goods, such as machinery, optical instruments and medical equipment, from Japan to China has now become "big business." There are indications that large foreign freighters are playing an increasing role in the smuggling trade.

8. Extremist elements becoming active in Japan: Japanese political alignments during the first weeks of sovereignty reflect a strong swing both to the left and right from center, according to Ambassador Murphy. He reports that strong appeals to Japanese patriotism are being made by both extremes in an effort to capture national sentiment at its peak of reaction to the occupation, with the Communists attempting to seize the advantage by regaining labor leadership and fostering neutralist and anti-rearmament sentiment. On the extreme right, the return of the wartime leaders to public life is providing a rallying point for many who had silently resisted democratization.

Murphy believes that this development is a reflection of confused thinking and general restlessness resulting from a misconception of the US-Japan Security Treaty, as well as from disillusionment and isolation from realities which were caused by the war and occupation. (S Tokyo 187, 20 May 52)

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9. No indication Chinese Communists intend to expand air operations in Korea: The Far East Air Force (FEAF) reports on 20 May that there are no indications that the enemy intends to expand air operations over Korea beyond the present defense of the Northwest. Only 189 aircraft were sighted in the past week, but the pilots are becoming more aggressive. The Communists, FEAF conjectures, may have decided the cost of extensive combat training was too high, and moved the majority of jet training back to Manchuria. (S FEAF AX 5193, 20 May 52)

Comment: With at least 350 MIG-15's based on the Korean border, the Communists are capable of flying many more combat sorties than are now observed. Communist air strength in Manchuria has steadily increased in 1952, and is estimated at 1,100 planes, including 600 jet fighters.

10. Chinese Communists reportedly want to sell iron ore to Japan: E. Ott and Company informed the American Consul General in Hong Kong on 16 May that Chinese Communist authorities on Hainan Island requested the company to arrange the export of Hainan iron ore to Japan. The form of payment was not revealed. (C Hong Kong 3074, 16 May 52)

Comment: The Chinese Communists have exported iron ore only to the Soviet bloc, and they regard it as a strategic export in the same category as tin, antimony and tungsten. In 1950 they were negotiating to sell Hainan iron to Japan, but no shipments were made.

11. French bomb bridge near China border: A bridge at the Tonkinese town of Dong Dang, several miles from the China border, was bombed by the French during the past week. (S Saigon Weeka 20, 18 May 52)

Comment: The proximity of Dong Dang to the China border lends significance to this raid. During Marshal de Lattre's command the French scrupulously avoided acts which could provoke China. The bombing of Dong Dang, which probably was part of the effort to interdict Viet Minh supply lines, may indicate a revision of this policy; the French may believe that there is now less danger of an incident with the Peiping government.

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12. Karens and Burmese Communists nearing an alliance: In early April staff-level representatives of the Karens and the Burmese Communists reached an agreement on joint operations and the administration of captured areas, [REDACTED] 25X1C
25X1C [REDACTED]. No agreement was reached regarding the boundaries of a future Karen state.

While feeling that a complete alliance with the Communists is inevitable, the top Karen leadership is reportedly stalling for time in the hope of receiving military assistance from other sources. [REDACTED] 25X1A
25X1A [REDACTED]

Comment: This is the latest in a series of reports indicating progress toward an alliance between the two major insurgent forces in Burma.

13. Burmese hope to send delegation to Peiping peace conference: The pro-Communist Burma Trade Union Congress is [REDACTED] 25X1X
reported to have chosen a four-man delegation to attend the forthcoming "peace" conference in Peiping. Although the delegates have already obtained their passports from the government there are still "certain difficulties to overcome" before they leave. [REDACTED] the delay is 25X1X
caused by the hesitancy of the Chinese Communist Embassy to finance the entire trip. (C Rangoon 1115, 20 May 52)

Comment: This report illustrates the contradictory Burmese policies regarding Communist activities.

The Chinese Communist Embassy has been reported by other sources to be financing the activities of various pro-Communist groups in Burma.

14. University exchange established between Indonesia, USSR, and China: A semi-official Indonesian news agency reported from Amsterdam that members of Indonesia's delegation to the Moscow Economic Conference succeeded in establishing exchange arrangements between the Gadjah Mada and Islam Universities in Djokjakarta and universities in Moscow and Peiping. For the present the exchange will be limited to scientific material, although the Moscow University is willing to accept Indonesian students. (R FBIS Djakarta, 20 May 52)

Comment: As far as is known, no student exchange program has existed heretofore between universities in Indonesia and

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Communist-controlled countries. However, small groups of Chinese students leave Indonesia monthly to pursue higher education in Communist China, and Indonesians are known to be studying in the eastern European Satellite countries. In June 1951, a Chinese-language daily in Djakarta took special note of the "first" Indonesian going to Communist China to study. There has been no previous report of Indonesian students going to Moscow to study.

SOUTH ASIA

15. The forthcoming parliamentary elections in Ceylon: Indications are that the pro-Western United National Party (UNP) coalition government led by Prime Minister Dudley Senanayake will win a narrow victory in parliamentary elections to be held between 24 and 30 May.

The government's recent disenfranchisement of most Indians living in Ceylon will not be a decisive issue in the elections.

The UNP apparently has lost little strength and popular support since the previous Prime Minister's death in March. A reported coalition of the Trotskyite Lanka Sama Samaj Party and the independent Sri Lanka Freedom Party, which might threaten the position of the UNP, has showed few signs of power.

It is therefore unlikely that the opposition, including the Communist front, will display sufficient strength to overthrow the present government. (Factual data from C Colombo Desp 863, 2 May; R Colombo Desp 840, 29 Apr; R Colombo Desp 828, 17 Apr 52)

16. Indian Government revokes sale of 70 war surplus aircraft: The sale in December 1951 of 70 surplus Curtis C-46 aircraft to Banwari Lal & Company, Bombay, has been revoked by the Indian Government for non-payment of purchase price. Banwari Lal is reported to be legally contesting the revocation of sale. (S New Delhi 4266, 17 May 52)

Comment: These United States' surplus aircraft are in the hands of the Indian Government. If they were sold to a private Indian firm, they might eventually reach the Communist Orbit. Revocation of the above sale eliminates this possibility for the time being.

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NEAR EAST - AFRICA

17. Iranian oil official says Italian tanker expected: A National Iranian Oil Company spokesman has confirmed information received by the American Embassy that a tanker is due momentarily at Abadan to load one thousand tons of crude oil for Italy. The spokesman described the shipment as an experiment which, if successful, would result in further shipments. (C Tehran 4494, 21 May 52)

Comment: This is the first confirmed report since the British withdrawal from Abadan that a tanker is actually prepared to load there. An Italian oil company representative in Iran on 20 May informed an American Embassy official that an Italian ship was due in Abadan on 21 or 22 May. The British Admiralty reports that the vessel is the Italian-owned tanker Rosemary, under charter to a Swiss company.

The shipment is apparently the first to be made under a two million ton per year contract reportedly concluded between Iran and a small Italian petroleum company in February. The Italian Government has made definite assurances that no Iranian oil will be given import licenses. These assurances will not necessarily prevent shipment of the oil to another country.

18. Changes in top-level command in Spanish Morocco likely: The High Commissioner of Spanish Morocco, Lt. Gen. Garcia Valino, will probably be replaced by a civilian, possibly Spanish Foreign Minister Martin Artajo, according to a Spanish official high in the Moroccan administration. This official also expects that Moslem General Mizzian will be given command of the armed forces in Morocco.

The Spanish official told the American Legation in Tangier that these changes would serve as further indications of the liberalization of Spain's Moroccan policy and are expected to be favorably received in Morocco and the Arab world. (C Tangier 383, 19 May 52)

Comment: It has been rumored for some weeks that Garcia Valino, regarded as a most able military officer, would be replaced. The appointment of a civilian as his successor would mark a new departure in Spanish policy. Martin Artajo's removal from his present post has been reported as imminent ever since the cabinet changes of last July. He recently

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completed a goodwill tour of the Arab states.

The appointment of Mizzian, a Moroccan, to command the army of Morocco would be enthusiastically received by Moroccans; however, recent events suggest that if he were given the command it would be nominal only.

19. French UN representative is discouraged over North African situation: Throughout a conversation on the North African situation with the American delegation to the United Nations on 19 May, the chief of the French delegation appeared to be generally discouraged. Regarding Tunisia, he said that there were two conflicting extreme views in France: (1) that France should release the imprisoned nationalists so they could enter into negotiations -- but this would be "yielding to blackmail" -- and (2) that France should continue its policy of firmness. He blamed the United States for the current difficulties, saying that if the United States had taken a firm stand in the beginning, the nationalists would not have been encouraged in their intransigent position. He also implied that the French Government would have to make concessions to the Tunisians.

With regard to Morocco, however, he stated the Foreign Office was preparing to make "substantial concessions" to the Sultan. This, he felt, might "do the trick." (S New York 835, 20 May 52)

Comment: French diplomatic officials are more and more frequently blaming the United States for their difficulties in Tunisia and Morocco. No solution of the Tunisian impasse is yet in sight, and the 17 March demands of the Sultan of Morocco remain unanswered.

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WESTERN EUROPE

20. Soviet tough line in Germany seen meeting early test:
The next few weeks may be the test, according to American officials in Bonn, of the actual effect in West Germany of the Kremlin's new tough line. The High Commissioner's office points out that the "crust of West German courage is understandably thin" under the present circumstances, but that it may be hardened if the Allies are able to show a determination to counter Soviet moves.

HICOG believes that the Soviet Union will not impose a full-scale blockade of West Berlin, but is more likely to apply a "creeping blockade" of selective harassing, possibly restricted to outward movements from Berlin, combined with an Eastern offer to absorb West Berlin's production. As West German integration becomes a fact, the Kremlin may also insist more and more that the Western powers deal with the East German Government, acting as a front for the USSR. (S Bonn 2803, 13 May 52)

21. Britain blocking agreement on German defense contribution: German Finance Minister Schaeffer is evidently prepared to accept the American proposal that Germany's defense contribution be divided between the Allies and Germany on the basis of increasing the German share after a period of continuing high payments to the Allies for support of their forces in Germany.

British representatives, however, have been instructed to insist upon a flat monthly rate for support costs on the grounds that scaling down German payments to the Allies this year would prejudice the British bargaining position for the period after 30 June 1953. (S Bonn 2951, 20 May 52)

Comment: Although Schaeffer's conciliatory attitude presents some hope of reaching an agreement in principle on the defense contribution, the inability of the British negotiators to modify their position may make it necessary to leave the entire question for the Foreign Ministers to settle.

22. Adenauer may regain control of the West German Senate:
Free Democratic Party leaders now predict that the West

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German state of Baden-Wuerttemberg will have a pro-Adenauer government within eight weeks, and have directed the Free Democrat deputies to withdraw their support from the present state government. They have taken this action because the Federal Senators from that state will not support the federal coalition's program. If a special state convention on 7 June does not concur in this directive, a national party convention on 5 July may expel some of the objecting members.

American officials in Bonn comment that the party's national leaders will probably be successful in securing a new state government favorable to Adenauer. (S Frankfurt Sitrep 18, 20 May 52; C Bonn 2950, 20 May 52)

Comment: Certain financial provisions of the contractual agreement and its implementing legislation may not be ratified unless there is a pro-Adenauer government in Baden-Wuerttemberg, giving the Bonn government a majority in the Federal Senate.

23. French police reportedly sanction strong-arm group's anti-Communist demonstration: The American Embassy in Paris has been "reliably informed" that the group of RPF militants and various veteran elements which broke up a Communist-sponsored anti-American play on 17 May had the "tacit approval" of the police, who had been given advance notice of the demonstration. This same group intends to take similar action against any "particularly insulting" Communist demonstrations. (S Paris 7157, 19 May 52)

Comment: Heretofore, Communist and Gaullist strong-arm groups have been treated impartially by the police. The reported tacit agreement reflects the growing boldness of the government in its repression of Communist activity.

24. Threatened resignation of Austrian Trade Minister reflects foreign trade dispute: The request of Minister of Trade Boeck-Greissau that he be relieved of his cabinet post has been turned down by the Executive Committee of the Austrian People's Party. The Minister's announcement of his intention to resign in opposition to a further extension of the foreign trade law is considered by US officials in Vienna to have been a "tactical move" in the protracted coalition dispute over economic policies. (R Vienna TOMUS 381, 16 May 52; R FBIS, Vienna, 21 May 52)

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Comment: Under the present law, extensive authority over foreign trade is vested in a commission where, because of the necessity for unanimous decisions, "veto" power is exercised by the participating representatives of labor, industry, and government. The commission is clearly cumbersome, restricts the authority of the Minister of Trade, and has long been held an obstacle to an export program which would reduce Austrian dependence on foreign aid.

Since tentative agreement to extend the trade law may be linked with mutual concessions by the coalition parties on various economic issues, the Minister's "resignation" suggests a "face-saving" gesture as well as a tactical move.

25.

Italian Government faces danger in 25 May elections: The United States Embassy in Rome believes that the extensive gains which the extremist parties are "certain" to make in the 25 May South Italian elections will "jolt" Premier de Gasperi's government and result in insistence by the left, and probably also by the right, on immediate national elections.

The center's continuing ability to hold a national working majority against both the Communists and the extreme right will meet its test in Rome, where the Christian Democrats are linked in an electoral bloc with other moderate parties only. The Embassy believes the center alliance will pull through in Rome, but with a plurality of only 50,000 or fewer votes as compared with 320,000 in the 1948 national elections.

Should De Gasperi lose the city, "even the staunchest supporter of the center would have to admit doubt of its continuing viability." The ensuing crisis could bring about national elections this fall, or a radical reorganization of the government, possibly with the resignation of De Gasperi, or an admission of government weakness by postponement of national elections from 1953 to 1954. (S Rome 5067, 20 May 52)

26.

Detained Spanish opposition leaders freed: The majority of the Socialist leaders arrested in a nation-wide police drive during March are now at liberty. The arrests were in part a precautionary measure against a possible recurrence of the strikes of last spring. The government presumably decided that the activities of these opposition members were

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not a serious security threat and therefore did not warrant risking the unfavorable foreign reaction which prosecutions would produce.

The round-up of leaders of the clandestine Socialist organization was apparently made possible by the theft last fall by a Spanish police agent of files from the Socialist Party headquarters in Toulouse, France. (Factual information from: S Madrid Desp 997 and 1059, 27 Mar and 17 Apr 52;

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LATIN AMERICA

27. Latin American labor committee calls for recognition of Bolivia: The Committee for Latin American Syndical Unity has requested the presidents of all American nations to recognize the new Bolivian Government, according to a telegram sent to the Bolivian labor federation by Jose Espejo, president of the committee and top Argentine labor leader. The committee has also directed its regional subcommittees to call for a plebiscite in the respective countries in favor of recognition. (R Buenos Aires 791, 20 May 52)

Comment: This action is indicative of the committee's primary interest in political rather than labor matters. The committee, which was formed at an Argentine-subsidized conference in Asuncion last February, has subcommittees in Costa Rica, Haiti, Chile, and Uruguay, and national committees in a few other countries.

Bolivia has been recognized by only four countries -- Guatemala, Spain, Argentina, and Paraguay.

28. Argentina will not renew contract for United States Army Mission: The chief of the US Army Mission in Argentina was informally notified on 19 May that Argentina will not request extension of the mission's contract. No explanation was given, but the decision was made on a level higher than the Ministry of the Army. (C USARMA Buenos Aires 24, 19 May 52)

Comment: The decision is in line with Peron's late 1951 order that Argentine Army officers would avoid unnecessary contracts with US Army personnel in Argentina.

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Peron's advisers have tried to convince him that the United States is directing a plot against him, and the army is in the strongest position to attempt such a plot.

Peron's apprehension of a possible army revolt has been indicated by continuing arrests of army officers, his placing the army on a 24-hour alert, and his asking congress to extend through 1952 the law authorizing him to "readjust" the armed forces register.

Last October the Argentine Air Force decided not to renew its contract with the US Air Force Mission.

29.

Brazilian Foreign Office apparently changes position on Bolivian recognition question: A delay of even several months in recognizing the new Bolivian Government would have no important long-range effects on Brazil's oil operations in Bolivia, and Brazil is content to observe the situation for the time being, according to a statement made to the US Ambassador on 20 May by the head of the Brazilian Foreign Office's political division. (S Rio de Janeiro 1440, 20 May 52)

Comment: The Brazilian Foreign Minister informed the US Ambassador on 14 May that early recognition of the new regime in Bolivia would be in the best interests of Brazil and that he had stated this view to President Vargas. He added that preservation of continental tranquility could be more easily assured with a recognized regime than with one "kept dangling."

The US State Department informed Peru on 20 May that the United States "together with Brazil" had reached the conclusion that continued non-recognition is equivalent to withholding help from moderate elements and that it had asked President Truman for authorization to recognize the Bolivian Government sometime next week.

30.

Constitutional guarantees reported re-established in Cuba: Interior Minister Ramon Hermida has announced that the constitutional guarantees which were suspended after the 10 March coup in Cuba have been automatically re-established, since the Council of Ministers has not extended the original suspension order which expired on 20 May.

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This brings to an end the initial period of national emergency and attests to the fact that the current political situation is such as to warrant the beginning of a return to "constitutional normalcy" within the terms of the newly promulgated Constitutional Statutes supplanting the 1940 constitution. The announcement will probably further lessen popular resistance to the Batista regime. (Factual data from: U La Prensa (NY), 21 May 52; R FBIS Havana, 20 May 52)

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FAR EAST

1. Indonesia expects to open Consulate General in Japan:
The Indonesian press announced on 20 May that the government intends to open a Consulate General in Tokyo. (R Djakarta 1689, 20 May 52)

Comment: Prior to 28 April, when the Japanese Peace Treaty became effective, Japan proposed to Indonesia and the Philippines the establishment of diplomatic relations pending their ratification of the treaty. The Indonesian Embassy in Tokyo, accredited to SCAP, lost its status when the treaty became effective.

Although the former Indonesian government signed the Japanese treaty, Parliament has indicated reluctance to ratify it and the new Prime Minister has implied that the treaty will be re-examined.

NEAR EAST - AFRICA

2. Iran offers to include oil in exports to USSR: Iran has now agreed to include oil on its list of exports offered to the USSR under the pending trade agreement. The Iranians, however, have made the offer conditional on the payment of world market prices, on limitations on quantity, and on the Russians' taking delivery at Abadan. They also insist on Soviet deliveries of sugar and machinery in exchange. The Russians reportedly are displeased with these conditions.

The US Embassy in Tehran comments that the USSR could be expected to make every effort to move the petroleum if it thought this would result in discontinuance of American aid to Iran. (S S/S Tehran 4468, 19 May 52)

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3. Greek official denies army retirements are due to political pressure: Greek Under Secretary of Defense Mavros has assured the American Ambassador that he will do all he can to prevent a further political purge of the armed forces. The Ambassador had been informed that the High Military Council had ordered the retirement of all officers connected with the clandestine army organization IDEA. When he questioned Mavros about the matter, the latter insisted that the Council intended to retire only the five officers involved in the abortive coup which followed Field Marshal Papagos' resignation in May 1951. (S S/S Athens 4937, 17 Mar 52)

Comment: The five officers appear to be those sentenced in February for their part in the coup. Their sentences had been delayed pending review by a board of inquiry. The army command in the past has attempted to disguise its purge of pro-Papagos officers by claiming that it was merely trying to reduce the influence of IDEA.

Although Mavros may be successful, government fear of Papagos' influence is still strong, and further efforts to continue the purge may be expected.

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